

DECLASSIFIED
PA/HO Department of State
E.O. 12958, as amended
June 21, 2006

NP, NSC, CF, ME, Iran,
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Authority NNN 969046

By K NARA Date 5/7/02

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THE WHITE HOUSE

WASHINGTON

INFORMATION

September 11, 1969

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MEMORANDUM FOR DR. ~~KISSINGER~~

FROM: Harold H. Saunders *Handwritten initials*

SUBJECT: What To Tell Herbert Brownell on Iranian Oil Proposal

The Iranian Proposal.

The memorandum Reza Fallah (the Shah's oil representative) left with you (attached) makes two proposals:

1. That the US give Planet Oil--an American firm which Herbert Brownell represents--a quota to import 200,000 barrels of oil a day from Iran. Planet would buy the Iranian oil for distribution in the US, and Iran would use the proceeds only for Iranian purchases in the US. (This arrangement eliminates any balance of payments loss.)

2. To further the quota request, Iran is prepared to discuss selling oil to the US Government for a strategic stockpile. Fallah assumes that US domestic production cannot meet an oil crisis and that storage in salt caverns and mines is economic. Under this arrangement, Iran would ship oil for our stockpile, for which we would pay only the actual production and shipping costs and, of course, those for storage in the US. Only when the oil is used would we pay Iran the difference between the production costs already paid and the market price at the time we use the oil. We would be buying oil for \$.40 a barrel which normally sells at around \$1.80. Essentially the Iranians are trying to create a situation in which--at no cost to Iran--any oil coming into the US in excess of normal imports would come from Iran.

Staffing in progress:

1. Substance. I have discussed this with the staff of the Cabinet Task Force on Oil Import Control. Brownell had presented the request for an oil import quota for Planet Oil to the Task Force last spring. The Task Force is a couple of months short of making recommendations to the President, and the staff at this point just doesn't know where the Task Force will come down. It is impossible to judge whether the Planet request for a quota has a chance until overall import policy is determined. Therefore, they just don't have an answer now.

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- 2 -

2. Handling. I have asked State to recommend an interim acknowledgment of Fallah's memo. If the Iranians have any advocates on the Task Force, they are the State representatives who are designated to handle such approaches and work them into the Task Force's deliberations.

3. Shah's visit. I have asked the Task Force staff to provide the basis for the President's talking points for the Shah on this subject. These will be explanations of some of the political problems the President has with setting oil import policy.

What To Tell Brownell

1. You have made sure that the Task Force staff understands the Iranian proposal.

2. You have assured that the national security implications (friendly Iran) are understood.

3. The Task Force is still a couple of months short of reaching conclusions on overall oil import policy. Until they make their recommendations and the President decides, we will not have a firm answer.

P.S. One of the problems of the Task Force is that oil import policy determinations are the subject of close political scrutiny. The Task Force has operated completely in the open. A special decision in favor of Planet Oil and Iran would be read as favoritism to Brownell on political grounds.

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